



July 25, 2002

To: Paul Dirksen, Project Manager  
Division of Housing Policy and Development  
Housing & Community Development

From: Association of Bay Area Governments  
Inter-Regional Partnership Staff

Re: Inter-Regional Partnership State Pilot Project Biannual Report  
January 2002 – July 2002

CC: Members, Inter-Regional Partnership

Julia Greene, Executive Director  
San Joaquin Council of Governments

Gary Dickson, Executive Director  
Stanislaus Council of Governments

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## Background

ABAG staff has prepared this biannual report on the progress of the Inter-Regional State Pilot Project pursuant to requirements in its contract with the California State Department of Housing and Community Development. This report summarizes the Inter-Regional Partnership's (IRP's) activities from January 2002 through July 2002. Three topical areas are addressed: Jobs/Housing Opportunity Zones, incentives and the integrated geographic information system (GIS.) For each topic, there is discussion on the major accomplishments, next steps and constraints.

Packets from the IRP meetings from January 2002 through July 2002 are included as attachments. A full outline of IRP activities can be found at <http://www.abag.ca.gov/planning/interregional/index.html>.

## Jobs/Housing Opportunity Zones

### Major Accomplishments

The Inter-Regional Partnership has designated ten Jobs/Housing Opportunity Zones in the participating IRP counties. Two Zones each are located in the counties of Contra Costa, San Joaquin and Stanislaus, three of the Zones are designated in Alameda County, and one Zone is located in Santa Clara County.

The process for designating the Zones was completed over the course of five months and three rounds of Evaluation Committee and IRP meetings. The first round began in December 2001. As indicated in

the *Phase 1 Progress Report*, the Evaluation Committee met in December to review and score each of the Zone applications (See Phase 1 Progress Report, dated February 11, 2002, for detailed information on Evaluation Committee process.) The Committee's recommendations were forwarded to the IRP for consideration at their January meeting.

At their January meeting, the Inter-Regional Partnership designated seven of the ten Jobs/Housing Opportunity Zones. Two Zones each are located in the counties of Contra Costa, San Joaquin, and Stanislaus and one Zone is located in Santa Clara County.

At the time of the initial RFP release, no proposals were received from Alameda County and only one proposal was received from Santa Clara County, therefore the IRP reopened the Request for Proposals (RFP) for Alameda and Santa Clara Counties. The RFP was re-released on January 24, 2002. This second RFP release resulted in two more Zone designations at the May 15, 2002 IRP meeting, for a total of nine Zones.

The IRP was interested in having a total of ten Jobs/Housing Opportunity Zones throughout the IRP region. By maximizing the number of Zones allowed by the IRP Pilot Program statute, the IRP expects to have the greatest impact on the existing jobs/housing imbalance in the five county area. To designate the tenth Zone, the IRP voted to allow all third place Zones, from the first and second round RFP releases to compete against each other for the tenth Zone designation.

At their July 17, 2002 meeting, the IRP met and considered the recommendations of the Evaluation Committee for the tenth Zone designation. There were a total of four applicants competing against each other. Each applicant was the third place Zone in the counties of Alameda, Contra Costa, San Joaquin and Stanislaus. There was no third place Zone for Santa Clara County. The Alameda County applicant, as recommended by the Evaluation Committee, was designated as the tenth Zone.

Attachment Two lists the locations of all the Zones, as well as the date they were designated.

### **Next Steps**

Staff is working with the IRP to create a process for evaluating the progress of the Zones. The Zones were designated based upon their development plans to develop either jobs or housing in regions of the IRP that are currently impacted by a jobs/housing imbalance. It is the responsibility of the IRP to monitor the progress of the proposed development, and that development's impact to the jobs/housing balance.

State law requires that the progress in equalizing the jobs/housing balance of the jurisdiction receiving an opportunity zone be evaluated based on the ratio of jobs and housing in the jurisdiction before receiving the Jobs/Housing Opportunity Zone and after development has been completed. Determining whether a job/housing imbalance has been mitigated will be based on the following data:

- The number of building permits issued, as provided by the participating jurisdiction.
- The number of jobs generated, as determined by the Employment Development Department and/or surveys to employers in the Zones.

The following additional components may also be useful in evaluating the effectiveness of the Zones:

- Percent of Zone development completed by July 31, 2004.
- Number of local residents hired to fill job positions and/or the number of local workers who moved to be closer to their jobs.
- Number, and type, of incentives the Zones were able to utilize.

- Percent of residents and/or workers who utilize public transit, or other alternative transportation, to commute.
- Percent, and number, of affordable housing units created.

### **Constraints**

Both the availability of data and limited funds may serve as constraints to evaluating the Jobs/Housing Opportunity Zones. Due to the small area of geography to be evaluated, surveys will have to be performed to gather data on employment, building permits, and other relevant data. Budget limitations may impair a thorough collection of data, thereby impeding the accuracy of the evaluation.

Staff anticipates overcoming this constraint through the development of efficient and streamlined survey instruments. Staff also envisions utilizing established relationships with the economic development and community housing groups to gather data and monitor development activity. These efforts may minimize costs without jeopardizing the quality of the data and therefore evaluation of the Zones.

## **Jobs/Housing Opportunity Zone Incentives**

### **Major Accomplishments**

Since January 2002, the Inter-Regional Partnership has identified and prioritized several incentives to be directed to the Jobs/Housing Opportunity Zones. The incentives that have been identified as a priority for the Jobs/Housing Opportunity Zone applicants, include:

- Tax Increment Financing
- Enterprise Zone Status
- Priority Status for Zones in State Programs
  - Priority in state bond allocations through the California Debt Limit Allocation Committee (CDLAC)
  - Tax credits for housing as issued through the California Tax Credit Allocation Committee (CTCAC)
- Cash Grants
- Priority for Inter-regional Improvement Program funds
- Childcare Assistance

Staff to the IRP has pursued these incentives through legislative and administrative processes. Legislation was pursued through a bill that was sponsored by Assembly Member Cogdill, AB 499. In 2001, Assembly Member Cogdill introduced Assembly Bill 499 as a bill to promote economic development in the Central Valley. The bill also proposed modifications to the IRP Pilot Program, including a shift in the description of the need for infrastructure in proximity to a Zone, suggesting that commitment to construct needed infrastructure improvements would be sufficient to obtain IRP incentives.

Due to limited support in the Senate for the bill in its original form and in response to overtures from IRP staff, Assembly Member Cogdill worked with IRP staff to amend AB 499. Amendments to AB 499 came in the form of incentives language for the Jobs/Housing Opportunity Zones. That language is included in Attachment Three to this report.

Unfortunately, significant opposition to the amended AB 499 was received from the State Treasurer, Philip Angelides (who chairs both CDLAC and CTCAC), and the State Department of Housing and Community Development (HCD). Both agencies sent letters of opposition to Assembly Member Cogdill and Senator Joseph Dunn. (Senator Dunn is the Chair of the Senate Committee on Housing,

which was the committee assigned to hear the bill.) Due to the opposition to the IRP related changes to AB 499, the bill was again amended by Cogdill to remove all the IRP proposed language.

Administrative efforts to pursue incentives were focused on priority status for the Zones in the states various bond allocation programs. Staff met with both the California Debt Limit Allocation Committee and the California Tax Credit Allocation Committee to discuss potential administrative changes to their programs. In both cases, the agency leadership informed staff that changes to administrative procedures were not possible without legislation. They identified an additional fundamental concern that any incentive would have to have statewide applicability.

### **Next Steps**

As indicated in the above section, there is limited support by state agencies to sponsor incentives that benefit specific geographic areas. State grants, bond allocations, tax credits, and other state-sponsored housing and economic development programs are statewide, with applicants competing from all over the state for program benefits. Any changes to these programs that offer even marginal support to a particular geographic area is met with significant opposition. The IRP has directed staff to take the following actions to overcome this opposition:

- Work with state legislators to modify the existing Jobs/Housing legislation (Government Code 65891) to more clearly define incentives and state agencies' roles in putting the incentives in place.
- Work with state legislators to advocate for legislation that would require that any city, county, or city and county participating in an Inter-Regional Partnership that is awarded a Zone (and adopts and implements substantially comparable practices and policies for development within the Zone) receive priority eligibility in the award of competitive grants, for infrastructure, commercial or industrial development, or other economic development within the Zone. This bill would be modeled after SB 1521 (Kuehl).
- Work with state legislators to draft legislation to create a statewide Jobs/Housing Opportunity Zone program. The intent would be to work with other IRPs throughout the state who are also looking at jobs/housing balance related issues. Teaming up with other IRPs would build support for incentives for jobs/housing issues that could be applied statewide.

### **Constraints**

The potential for incentives for the IRP Zones is severely hampered by the status of the California State budget. One solution is to ensure that incentives do not require the issuance of new money to the Zones, but rather redirect existing funds. Giving projects located in the Zones priority points in various state bonding, tax credit and other grant program may be a way to accomplish this. The fierce competition for limited state funds, however, will make any efforts to redirect funds to the Zones or give them priority in state program challenging.

Staff is also working on the potential of cash grants (one of the prioritized incentives) designed to pay out at the time that a given Zone has reached a certain threshold of development. This would allow for the State budget to rebound, and put cash payments out into future budget years.

## **Integrated Geographic Information System**

### **Major Accomplishments**

Through all three Evaluation Committee and Zone designation rounds, the integrated GIS played an integral part. As described in the January 2002 Phase One Report, the integrated GIS is comprised of

thirteen data layers, including general plan, brownfields, environmental and habitat information, and urbanized areas. Each layer of information used in the integrated GIS analysis was collected from local jurisdictions, counties, the councils of governments and other sources, i.e. State and/or Federal agencies.

A spatial modeling process was developed to evaluate all proposed Zones against a set of criteria, as described in the Phase One report. Before each round of RFP reviews and Evaluation Committee meeting, staff was able to perform the GIS analysis of the Zone and score it accordingly. GIS scores were included in all the score sheets used by the Evaluation Committee members.

### **Next Steps**

Staff is working to develop several base maps for the IRP region. Staff plans on producing four base maps. The first base map will include environmental related themes (e.g. brownfields, flood zones, wetlands, slopes and habitat). The second base map will be a general plan map of the entire IRP region. The next base map will be exclusively demographic data (including population, household, and employment projections) by traffic analysis zone. The final map will be a transportation theme map. These maps will be available through the IRP's Internet site via an interactive GIS Internet site hosted by ABAG. The ABAG site is active and is available for viewing at <http://www.abag.ca.gov/gis>. The IRP component of this site is anticipated to be available by December 2002.

Staff also continues to be interested expanding the existing set of GIS data layers that have been utilized thus far in the State IRP Pilot Project. Staff has identified a number of layers that could be used to expand the capabilities of the integrated GIS. Staff continues to seek out available data, including water service, sewer service, agriculture contract lands, soil data, planned expansion of freeways/major roads, and fire protection services. Another aspect of expanding the GIS would be to improve the quality of the existing data sets. Improved data would produce better results from the spatial modeling process.

### **Constraints**

Budget and time restraints will continue to be the key obstacle to staff's efforts to improve the integrated GIS. The GIS allocation of the State IRP Pilot Project Budget was exhausted in developing the spatial model to evaluate the Zones. Any improvements to the existing GIS data sets or acquisition of new data will be postponed until a funding source can be identified.

### **Conclusion**

In the coming months, the IRP will be faced with the challenge of brining incentives to the Jobs/Housing Opportunity Zones. With the State budget in perilous condition, this may be an immense task. The IRP has identified several legislative strategies for dealing with this challenge. Staff welcomes feedback from HCD on its proposed approach and any suggestions for increasing the IRP's success at securing incentives.

The next six months will also be significant in that the IRP must begin to monitor the Zones and their impact on the jobs/housing imbalance in the IRP region. At the September IRP meeting, the members will be asked to consider a methodology for monitoring development in the Zones. This methodology will track the Zones against the original development plans to ensure that the Zones stay on target to alleviate the jobs/housing balance in the region.